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THE WORLD ECONOMY AT THE END OF 1993: SHORT-TERM PROSPECTS AND EMERGING POLICY ISSUES*

Note by the Secretary-General

Total world output is estimated to have increased by only 1 per cent in 1993, after three years of virtual stagnation (table 1). Towards the end of the year, there were signs that growth would improve to 2.5 per cent in 1994, which would correspond to a smaller acceleration than in previous cycles. The growth of world trade, which had been slowing down since the late 1980s along with world output, slowed further to around 3.5 per cent in 1993, but the pick-up in global output and the completion of the Uruguay Round of multilateral trade negotiations should create conditions for more robust growth.

Table 1. Growth of world output and trade, 1989-1994

(Annual rate)

	1989	1990	1991	1992	1993 a/	1994 b/
World output	3.2	1.6	0.2	0.7	1.0	2.5
Per capita	1.5	0.0	-1.5	-1.0	-0.7	0.8
World trade (volume of exports)	7.8	5.3	4.4	5.2	3.4	5.9

Source: UN/DESIPA.

a/ Preliminary estimate.

b/ Forecast.

* This assessment of the world economy has been made in the Department for Economic and Social Information and Policy Analysis of the United Nations Secretariat in cooperation with the regional commissions and other offices and organizations of the United Nations system.

A PRELIMINARY ASSESSMENT OF 1993

The continuing sluggishness of the world economy is largely a reflection of the persistent weakness of the developed economies, which account for over 70 per cent of world output, and, to a lesser extent, the uninterrupted decline in output in countries in transition from centrally planned to market economy. Rapid growth was almost entirely limited to developing countries, the far more populous and much poorer group, but the differences between these countries have been very large. South and East Asia and China have been growing fast, while growth remains unsatisfactory in most African economies.

The developed market economies grew at around 1 per cent in 1993, or about the same as the average rate of the previous two years (table 2). While the economy of the United States of America has been growing at a rate which is close to its projected path, conditions worsened in Japan and Western Europe, with the exception of the United Kingdom of Great Britain and Northern Ireland. The United States economy will have grown by around 3 per cent in 1993, which is close to the rate projected a year ago. On the other hand, while growth of over 2 per cent was projected for Japan for 1993, the economy has not grown at all during the year as a whole, and the economies of the European Union (EU) contracted by around 0.3 per cent, as against a projected growth of 1 per cent. Excluding the United Kingdom, the extent of contraction in EU was even larger. At the end of 1993, recession appeared to have bottomed out in Europe, but in Japan recovery was still not in sight.

The anaemic growth of the past three years contributed to a sharp increase in unemployment in the developed market economies. Over 30 million people, or 8 per cent of the labour force, were unemployed in these economies at the end of 1993. The main bright spot at the end of the year was the falling unemployment rate in the United States. In most other countries, unemployment continued to grow and the lacklustre growth expected in 1994 is unlikely to reduce unemployment soon. The problem is especially large in the European economies, but even in Japan, where unemployment has been traditionally low, the rate has been increasing.

In the economies in transition, output declined by some 10 per cent in 1993, following a 30 per cent drop over the previous three years. The rate of decline has, however, been widely different among countries, and in Poland output actually increased. While some of these countries appear to have surmounted their most difficult transition problems, output declined by around 14 per cent in the successor States of the Soviet Union and by 6 per cent in Bulgaria, Romania and Slovakia.

In the developing countries, output increased by slightly over 5 per cent in 1993, an improvement on the 1992 rate of just under 5 per cent. Much of the growth was contributed by China and South and East Asia, but there was an improvement in all major regions except Western Asia. In Africa, the rate of growth of production remained considerably below the rate of increase of population. Nevertheless, economic growth in the developing countries as a whole was widely shared, as a number of these countries, including some of the most populous, grew fast.

Table 2. Growth of output of groups of countries, 1981-1994

(Annual percentage change)

	1988	1989	1990	1991	1992	1993 a/	1994 b/	Population 1993 (millions)
World	2.9	3.2	1.6	0.2	0.7	1.0	2.5	5 572
Developed market economies	2.8	3.4	2.4*	0.6	1.6	0.9	2.2	853
United States	2.9	2.5	0.8	-1.2	2.6	2.8	3.1	258
European Union	2.1	3.6	2.8*	0.8	1.2	-0.3	1.6	347
Japan	4.1	4.8	4.8	4.0	1.3	0.0	1.5	125
Economies in transition	3.1	2.3	-6.3	-8.9	-16.7	-10.4	-0.8	394
Developing countries	3.1	3.5	3.3	3.4	4.8	5.3	5.3	4 324
China	9.9	3.6	5.2	7.7	12.8	13.0	9.5	1 205
India	5.3	5.2	5.5	2.0	4.0	4.5	5.5	897

Source: UN/DESIPA (see also tables A.1-A.III).

* Indicates discontinuity in the series; from 1991, Germany includes the eastern Länder.

a/ Preliminary estimate.

b/ Forecast.

World trade appeared to have expanded by about 3.5 per cent in 1993 after a 5 per cent growth in 1992. This was the slowest growth since the slow-down of the world economy began in 1990. The slow-down of trade was entirely due to a virtual absence of growth of developed country trade. Preliminary estimates suggest that both exports and imports of developing countries, on the other hand, increased in volume by around 10 per cent.

OUTLOOK FOR 1994*

The world economy is expected to grow at the modest pace of 2.5 per cent in 1994, a rate far slower than in earlier cyclical upturns. Recovery will be largely based on an expected acceleration of growth in the developed economies from 1 per cent in 1993 to slightly over 2 per cent in 1994. The economies in transition as a whole are expected to stop contracting, while the growth of

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* Based on Project Link. The major assumptions behind the projections include a moderate fall in interest rates in developed economies where they are still high; restrictive or neutral fiscal policy in most of these economies; and oil prices remaining at an average of $16 per barrel in real terms.

developing countries on the average is likely to remain unchanged at around 5 per cent.

Fiscal constraints will severely limit the scope of expansionary policy in most developed economies in 1994, but interest rates can be expected to fall further in these countries. Recovery under way in the United States is expected to continue into 1994 with output growing at close to 3 per cent, the same rate as in 1993. In the United Kingdom, the growth rate of 2 per cent in 1993 is expected to improve to 2.5 per cent in 1994. With the fiscal stimulus package in place and expected in the near future, Japan may grow at 1.5 per cent after no growth in 1993. The three large economies in Europe - France, Germany and Italy - all of which contracted in 1993, are projected to achieve growth of between 1 and 1.5 per cent in 1994. Unemployment rates are expected to decline significantly only in the United States (table A.V).

Considerable uncertainty surrounds most of the projections for the transition economies. Available indications are that in eastern Europe, the Polish and Czech economies are expected to grow by about 4 per cent and 2.5 per cent respectively in 1994. Other economies of the region are still unlikely to see any growth in output, but the economies of Hungary and Slovakia are expected to stop shrinking. In Russia and the other successor States of the Soviet Union as a whole, output is likely to fall for the fifth year in a row, but only modestly (table A.III).

Among the developing countries, the most important source of growth is once again expected to be South and East Asia and China. In South and East Asia, growth is expected to accelerate to about 6 per cent in 1994, while the Chinese economy is likely to settle to a rate of growth close to 10 per cent after a 13 per cent growth in 1993. The Latin American economies are expected to grow on the average at about the same rate of 3 per cent as in 1993, especially if growth in Brazil falters in 1994. In Africa, any improvement in growth is expected to be only marginal, not exceeding 2.5 per cent. In West Asia also, output is likely to increase at about the same rate of around 4 per cent as in 1993. In the Mediterranean region, a slow-down is expected in Turkey, while some growth in output might be hoped for in countries of former Yugoslavia, where economic situations remain dismal and human conditions appalling (table A.IV).

DEVELOPED MARKET ECONOMIES: CONTINUING SLUGGISHNESS

The economic growth of the developed market economies in 1993 continued at the sluggish pace of recent years of around 1 per cent (table A.II). Growth did pick up slightly through the year, but the pace expected in 1994 will not be enough to reduce unemployment (table A.V). One consequence is that the large and still growing slack in labour and product markets is moving the industrialized countries closer to price stability; inflation in the seven major economies, for example, is expected to average under 2.5 per cent in 1994 for the second successive year (table A.VI). This low inflation environment is, however, poor compensation for the high social cost of the swollen numbers of idle workers.

Growth impulses from individual major economies are weak and are being transmitted only weakly to their major trading partners. The gap between growth in the United States and Canada on the one hand and in Europe and Japan on the other will thus not narrow much in the coming year, as the North American economies gain some additional strength, while Japan and the European countries, with the sole exception of the United Kingdom, seem to be heading towards a very slow and uncertain recovery.

The pace of economic growth in the United States accelerated in the second half of 1993, after economic recovery lost momentum in the first half (table A.I). The stronger growth is likely to continue well into 1994. Much of the new growth has come from sectors that are sensitive to falling interest rates, such as consumer purchases of durable goods, business investment in capital equipment and residential investment. The benefits of low interest rates in the United States are likely to continue supporting the economy. However, the present pattern, in which personal consumption expenditure is growing more rapidly than disposable income, is not sustainable. In Canada, economic growth may be strengthened by a further decline in short-term interest rates, which are already at their lowest levels in 20 years. The economy is also being boosted by the stronger domestic demand in - and thus export sales to - the United States.

In Japan, the policy-led growth in public sector and housing investment has not thus far been enough to make up for the weakness in corporate investment and consumer spending. The softened monetary policy has not had much effect either. Banks are still laden with bad debt and the demand for credit remains low. In addition to weak domestic demand, a sharp appreciation of the yen since the beginning of the year has started to hurt export performance. There has been virtually no growth in the Japanese economy in 1993 as a whole. With the private sector expected to remain saddled with internal structural problems, GDP growth could recover to only around 1.5 per cent in 1994.

Recent data suggest that the European economies may be passing through the low point of their recession as 1993 ends. This is likely to be followed by an anaemic upturn. Consumer confidence remains low and unemployment continues to rise. Private consumption is expected to be weak in 1994. Consequently, the French, German and Italian economies are projected to grow by only 1 to 1.5 per cent in 1994. Most other western European economies are not expected to deviate much from this pace. Denmark, Norway and the United Kingdom are the only European economies where growth may reach even 2.5 per cent in 1994.

The overall economic weakness has been the immediate cause of the sharp deterioration in the employment situation in the developed market economies, although in many cases the underlying structural difficulties were in any event poised to reveal themselves. By the end of 1993, over 30 million people, about 8 per cent of the workforce of the developed market economies, will be out of work. EU has been hit particularly hard (table A.V). Outside EU, unemployment has risen most sharply in the Nordic countries, reflecting primarily the deep recession and a shake-out of excessive staffing levels. In Japan, the viability of "lifetime employment" has for the first time become a serious concern in the business sector. Among the countries experiencing relatively stronger economic

growth, only the United States is exhibiting signs of labour market recovery, while Australia, Canada and the United Kingdom have yet to show much more than an end to the increases in unemployment. However, even in the United States, there is a greater degree of concern about job security than has been seen at any time since the Second World War.

The policy response

As discussed in the World Economic Survey, 1993, policies in developed market economies seemed to have changed in 1993 from watchful waiting to tentative activism. The prolonged underperformance of output and employment, rather than inflationary pressures, is now seen as the main threat to economic stability. Slack employment markets discourage excessive wage increases, while deficient demand continues to keep commodity prices at historically low levels.

With fears of reigniting inflation thus allayed, policies to raise demand in order to reduce the gap between output and capacity are again thought appropriate. It has been argued that without government intervention, "growth recession", in which an economy grows far below its potential while unemployment and unused capacity continue at a high level, may persist for years in several economies. Accordingly, monetary policy stances are being further relaxed and fiscal stimulus, where viable, is being undertaken. On the other hand, a truly stimulative fiscal policy has been constrained in most cases by already large and rising budget deficits. Thus, with the sole exception of Japan, among the major economies, only monetary policy is being employed to any significant degree as a countercyclical weapon.

In the United States, discount rates were cut early and short-term interest rates fell sharply when the recession began (table A.VII) and, finally, declined to close to zero in real terms, compared with an average of 2 per cent in the past 30 years. Because of its budget problems, the United States Government has not been able to use fiscal policy to stimulate the economy. However, following passage of a budget package in August 1993, the prospect of deficit reduction has helped reduce long-term interest rates. Indeed, nominal yields on long-term bonds fell to record lows. They have recently risen slightly but remain low by historical standards.

During the past two years, the Japanese Government has actively sought to revive growth through policy stimuli. It has introduced four public-works packages, which have more than doubled the growth rate of Government investment in constant prices, and the latest packages have begun to address structural reform needs by identifying new areas for deregulation. In addition, the official discount rate has been cut seven times since the current economic downturn started, reaching the all-time low of 1.75 per cent. The economy none the less has not shown signs of recovery, and a more vigorous approach appears necessary to stimulate growth.

A proposed reduction in Japan's income tax of the order of ¥5 trillion has been discussed, to be compensated after a lag by an increased consumption tax. It would give a psychological boost as well as increase disposable incomes. At the same time, a further reduction of the discount rate would probably have little additional effect on private investment, unless other aspects of the

business environment improved as well. In this regard, clearing up the bad debt of Japanese banks seems to be of particular importance, as it constrains their ability to expand their lending.

Like the United States, European countries do not seem to have room for a fiscal stimulus. Indeed, budget deficits in EU are at the highest average level since 1945. General government deficit as a proportion of GDP increased from 2 per cent to 6 per cent in France and from 3 per cent to 5 per cent in Germany between 1991 and 1993. Consequently, most countries are tightening fiscal policy despite slow growth. At the same time, and in contrast with the United States, the overall stance of European monetary policy remains quite restrictive, as judged by the still high levels of short-term interest rates (table A.VII). The EU countries have so far been cautious in using their new opportunity to reduce interest rates that resulted from the August widening of the agreed limits of exchange-rate fluctuation within the EU's Exchange Rate Mechanism (ERM). Germany's partners are still reluctant to let their currencies drop against the deutsche mark. With some exceptions, the scope for cutting interest rates is thus still determined by the Bundesbank. Indeed, France announced the first cut in its key interest rate since the summer's exchange rate crisis only in October, after Germany cut its interest rates. The German move was also followed by Denmark, Ireland, Spain and later, Belgium. However, there have also been several independent cuts in Denmark, Italy and Spain that may mark the beginning of a relaxation of monetary policy ties to Germany.

TRANSITION ECONOMIES: THE EVIDENCE OF REFORM

There is mounting reason for optimism that the most savage phase of economic disruptions in the transition from centrally planned to market economies has already been passed in much of the region encompassing eastern Europe and the former Soviet Union. For many countries, however, the worst is not yet over and even in the few countries that are beginning to move from contraction to growth, the previous decline was so steep that it will be many years before even the average living standards of the late 1980s are regained. The main message in the developments in the region since 1989 is that the countries that have been implementing the reform measures necessary to establish a full-fledged market economy have on the whole begun to perform remarkably better than those where, for political or other reasons, major reform steps have not yet been taken.

As a group, the transition economies are expected to continue to contract in 1994, albeit by only 1 per cent (table A.III).* However, after a cumulative decline since the decade began of over one third of production, this deceleration is a marked improvement. Indeed, eastern Europe is expected to

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* Much of the quantitative data from some of the economies in transition must be interpreted with great caution as several national statistical systems are being revamped or designed anew. In this statistical environment, forecasts - let alone estimates and reported data - are best understood as broad orders of magnitude.

enjoy a net increase in output in 1994 for the first time since 1988, although only a few countries will share in it. As of 1993, only Poland had begun to experience a significant measure of growth, while the turning-point seemed to have been reached in the Czech Republic.

In the Russian Federation, the principal obstacle to an increase in output is now seen in suppressed aggregate demand and not in the loss of inputs due to disruption of supply links and decline of imports, as was the case in 1991 and 1992. While the State sector remained in crisis, private activity has begun to grow. Moreover, a certain amount of consolidation by the Government of responsibility for economic policy formulation and implementation has been achieved. The Government has been gradually introducing a policy framework for business activity, redesigning the tax system and introducing currency reform.

This notwithstanding, Russian GDP is estimated to have contracted severely in 1993, albeit by less than in 1992, and a further small decline is foreseen for 1994. However, encouraging signs of strengthening demand have led to some cautious forecasts of a gradual increase in output, which may become significant at the aggregate level in the second half of 1994.

Output in the Baltic States also contracted sharply in 1993, but by far less than in 1992. The 1993 decline in real GDP is expected to measure less than 10 per cent in Latvia and Lithuania and less than 3 per cent in Estonia, after contractions of 30 per cent or more in each country in 1992. In these countries as well, the output decline appears to be bottoming out.

Key factors in the current economic condition

In addition to the domestic pushes and pulls in each transition economy, the smaller countries in particular had to contend with a major external shock. An important aspect of the transition has been the reorientation of foreign trade from essentially a barter system favouring trade with the Russian Federation to market-determined trade, largely with western Europe, in particular Germany and Austria. This has been a difficult year for the latter economies, resulting in shrinking import demand. Moreover, the reorientation of foreign trade was not accompanied by a significant change in the product structure of exports. The Czech Republic was the only transition economy that was to a certain extent able to enter the rapidly growing Asian export markets.

Despite this external environment, the Polish economy was able to grow by about 4 per cent in 1993 because of strong domestic demand, mainly arising from developments in its buoyant and fast expanding private sector. As a share of total economic activity, Poland's private sector is probably the largest in the region, owing not so much to privatization of State-owned enterprises, but rather the emergence of new businesses.

In Hungary, on the other hand, domestic developments aggravated the external trends. Hungary had been one of the most successful countries in reorienting trade and increasing exports to western European markets. However, owing to unfavourable weather conditions and uncertainties about the legal status and future of agricultural cooperatives, agricultural supply and consequently exports fell sharply. In addition, because the real value of the

florin had been allowed to appreciate to counter inflation, the price competitiveness of Hungarian exporters suffered markedly, which further weakened overall export performance. Moreover, tighter financial discipline was imposed on firms through such measures as stringent new bankruptcy legislation and new accounting and banking laws. The amount of "bad" loans increased dramatically, which seriously jeopardized the financial system and led to a virtual halt of investment finance by banks.

Some of the transition economies have also had to face effects of changes in national boundaries, when internal economic relations suddenly became international ones. The enterprises of the Czech Republic and Slovakia faced that disruption in 1993. In this case, the economic and political separation went smoothly. Yet, as a result of the introduction of new national currencies and the virtually complete separation of the two national economies, trade declined sharply between the Czech Republic and Slovakia.

Owing to the markedly different industrial structures in the two Republics and the different rates at which market reforms were implemented, the economic consequences of the separation were unequally distributed between the two States. In the Czech Republic, market reforms were being implemented in a timely fashion, privatization progressed rapidly and economic policy provided a stable macroeconomic environment. In Slovakia, however, where reforms are progressing at a much slower pace and the macroeconomic environment is less stable, GDP fell an estimated 6.5 per cent, unemployment rose sharply and exports declined.

Unemployment is a major concern throughout the transition economies. In most eastern European countries, open unemployment well exceeds 10 per cent of the labour force. Even in countries where the unemployment rate appears to be low, as in the Russian Federation, which reports it at only 2 per cent, including people on unpaid "vacations", there is rising concern about unemployment. Large-scale labour dislocation seems to be virtually a necessary part of economic transition. The challenge to policy makers is to speed the reallocation of labour and raise the earnings capacity of the workforce. What has often happened instead has been a highly inflationary use of central budget or central bank financing to maintain enterprise structures that had become unviable.

Even in the Czech, Hungarian and Slovak economies, consumer prices rose between 20 and 30 per cent in 1993, while in Bulgaria prices rose almost 75 per cent and in Romania over 250 per cent. Consumer prices in the Russian Federation are expected to be over 1,000 per cent higher at the end of 1993 than they were a year earlier, although the monthly rate of inflation peaked in August.

While a reasonably low and predictable level of inflation is highly desirable, temporary surges in inflation are sometimes inescapable during reform. Thus, the first wave of inflation during transition was mostly induced by price liberalization and the removal of different kinds of subsidies. Reform of the tax system, in particular the introduction of or increase in value-added taxes, as occurred in most eastern European economies in 1993, also results in a temporary upward pressure on prices. However, other factors seem to be

simultaneously at work, such as massive budget deficits and subsequent increases in public debt. The difficult job is to reduce the deficits without crippling essential government social expenditure and, when curbing the practice of bailing out failing enterprises, to do so in a way that does not destroy fundamentally solvent or salvageable firms and thereby unnecessarily add to unemployment.

DEVELOPING COUNTRIES: STRONGER GROWTH

Economic growth in the developing countries as a whole improved to over 5 per cent in 1993, which is expected to be maintained in 1994. The improvement in 1993 is shared by all developing regions except West Asia, where the recovery from the Gulf war took place mainly in 1992 (table A.IV). High rates of growth were once again concentrated in Asia. China, with a 13 per cent growth in both 1992 and 1993, was again the fastest growing country in the world. GDP growth of above 7 per cent was recorded in Malaysia, Singapore, Thailand and Viet Nam. Meanwhile, a large number of developing countries continued to stagnate, with growth below or not far from the rate of increase of population. In Africa, the marginal improvement in 1993 was due mainly to a recovery from drought. War-stricken countries in Africa and the Mediterranean region once again suffered the heaviest economic decline.

In Latin America and the Caribbean, the trend of the past two years broadly continued. For the third consecutive year, the overall picture has been of moderate growth, declining inflation, large capital inflows and widening current account deficits. This trend is likely to continue into 1994. Regional GDP is expected to grow by around 3 per cent both this year and the next, with the short-lived recovery of Brazil in 1993 likely to be supplanted as a source of growth by a moderate expansion in Mexico in the months to come. Only Cuba and Haiti suffered further declines in 1993. Output per capita in the region, which declined over the 1980s, has been growing again since 1991.

Policies of fiscal consolidation, monetary stability, external openness, deregulation and privatization continue to gain greater acceptance in the region. Brazil and Venezuela are the main exceptions to the trend towards stabilization. In both countries, political instability and the proximity of national elections have prevented the adoption of necessary fiscal reforms. In Brazil, where inflation continued to accelerate towards an annual rate of 2,500 per cent, approval of the Government's fiscal adjustment package has been delayed in a Congress entangled with an ongoing inquiry on corruption in its Budget Committee.

In Africa, output grew by about 2 per cent in 1993, only slightly above the rate of 1992. Growth forecast for 1994 will still be below the population increase. Policy reform continued in many countries, but economic developments remain heavily influenced by political factors and civil strife and by exogenous factors, such as weather patterns and weak demand for Africa's exports.

Total cereal production in Africa increased by an estimated 11 per cent in 1993, reflecting a doubling of the drought-affected crop of 1992 in southern Africa. Agricultural output was affected by insufficient rain in areas of

Algeria, Angola, Botswana, Eritrea, Kenya, Lesotho, Namibia, the Sudan, Swaziland and the United Republic of Tanzania. Morocco suffered a second year of drought. Desert locusts have been reported in some areas and may threaten crops.

Civil strife in Kenya, Liberia, Rwanda, Sierra Leone, the Sudan and Zaire and outright civil war in Angola reduced areas planted, displaced people and hampered economic activities. In Angola, thousands have died of starvation and famine is threatening 3 million people. Recent breakthroughs in peace negotiations have permitted a stepped-up relief effort. In the Sudan, fighting has led to acute food shortages and an increase in the number of refugees and displaced persons, although relief has recently been able to reach some of the worst-hit areas. In Somalia, the August harvest was substantially above the 1991 and 1992 levels owing to a significant improvement of security conditions in most areas, generally favourable weather and the distribution of large amounts of seeds and tools. Nevertheless, production remains well below average pre-war levels. The failed coup d'état in Burundi in October, in which the democratically elected President was killed, set off a wave of ethnic strife and caused as many as 700,000 people to flee to neighbouring countries.

Peace agreements have been reached in Liberia and Rwanda. A fragile and slow process of reconciliation, organization of elections, disarmament, resettlement of displaced persons and rebuilding has begun in these countries and has continued in Mozambique. In Madagascar and the Niger, the political transition progressed and economic policy reform gained in prominence. In a number of other countries, however, the political situation continues to doom economic policy reform.

Political and economic uncertainty has heightened in Nigeria over the past six months. The Government annulled the presidential elections held in June and installed an interim Government in August, which was ousted in November. The new military leader dissolved most, if not all, democratic institutions, including national and state assemblies, local governments, and the two political parties, but did not set a date for a transition to an elected civilian government. Political changes have increased economic uncertainties in Africa's most populous country, which is already facing a serious fall in the price of oil, its principal export, and mounting debt-servicing obligations.

In West Asia, output growth slowed in 1993. Besides the disappearance of growth impetus from post-war recovery, lower oil prices and revenues and the resulting balance-of-payments constraint slowed growth in the major oil-exporting countries. Weaker performance of the agricultural sector in most countries of the region also contributed to the overall slow-down.

Although most countries of the region have recovered from the effects of the Gulf crisis, sequels to the conflict remain. Sharply lower workers' remittances, combined with the reduction of trade flows and the disruption of financial assistance from the richer countries of the region, continue to depress domestic economic activities and contribute to social tension in some of the net energy-importing countries.

In South and East Asia, aggregate trends were largely unchanged in 1993, with the rate of GDP growth averaging above 5 per cent. As has been the case since 1989, the second generation of successful exporters of manufactures (Indonesia, Malaysia and Thailand) continued to grow faster than the older generation (Hong Kong, Republic of Korea, Singapore and Taiwan Province of China). Since 1992, the former group has averaged a rate of growth of around 7 per cent and the latter about 5 per cent.

In India, economic growth continued to recover. A good performance in agriculture and a pick-up in industrial output in selected industries contributed to a 4.5 per cent growth of GDP in 1993. The major efforts at policy reform that started in 1991 continued, with further liberalization in 1993. Partly as a result, exports have been growing fast and an increase of about 18 per cent is estimated for the whole of 1993. Much of the increase was in response to the depreciation of the rupee and increased competitiveness in such sectors as textiles, gems and jewellery, leather, engineering goods, steel, chemicals, alumina and agriculture-based products. Meanwhile, imports are growing only slowly, reflecting a relatively slow growth in domestic industrial production. This has brought about an improvement in the balance-of-payments position of the country.

High domestic interest rates and reduced government expenditure, as well as economic weakness in the major export markets in developed countries, have been major factors in constraining growth in some of the South and East Asian economies. Contractionary monetary policies followed in the Republic of Korea in 1992 were relaxed somewhat in 1993. In Indonesia, loosening of monetary policy is still constrained by the high level of inflation. In India, a highly contractionary monetary policy was gradually relaxed during the year. In Hong Kong, Taiwan Province of China and Thailand, large infrastructure projects have been behind schedule for fiscal or political reasons. The increasing openness and development of the financial systems in many Asian economies have reduced the reliance of large domestic private investors on domestic commercial credit. In Thailand, for example, the access of large domestic firms to the international credit market has moderated the adverse effects of high domestic interest rates on investment.

Exports of the region continued to grow fast though the persistent weakness of the developed economies adversely affected the growth of exports of certain economies (Republic of Korea, Taiwan Province of China and Thailand). Yet exports, as well as imports, grew much faster than anywhere else in the world. Successful exporters benefited from various factors, including strong linkages to high growth economies in the region (Hong Kong and Singapore), specialization in electronics exports, the demand for which had remained strong (Indonesia, Malaysia and Singapore) and structural adjustment and reform policies that promoted exports (India and Viet Nam).

Economic growth in South and East Asia is forecast to accelerate to about 6 per cent in 1994. An expected improvement of growth in developed economies brightens prospects for export growth. A continuation of robust growth in China will have a similar effect. Declining interest rates are forecast in some economies, including India, Indonesia, the Republic of Korea, Taiwan Province of China and Thailand, which should boost investment and consumption. At the same

time, infrastructure investment in several economies is expected to accelerate (Hong Kong, Malaysia, Republic of Korea, Taiwan Province of China, Thailand and Viet Nam), boosting domestic demand and imports of capital goods.

In China, economic overheating during the first half of 1993 triggered tight macroeconomic policies, which were partly successful in curbing investment and growth as well as inflation. Real GDP is nevertheless estimated to have grown by 13 per cent for the year. Inflationary pressure from soaring domestic demand was most felt in the large urban areas, with the increase in the cost-of-living index in 35 large cities estimated at around 20 per cent for the year. The national rate of inflation, however, was about 12 per cent, or double the rate in 1992. At the end of the year, there were indications that the Government had stopped further tightening of monetary policy. Economic growth is nevertheless expected to fall close to 10 per cent in 1994.

External imbalances, however, may prove more difficult to correct. While foreign direct investment in China increased rapidly, China is expected to incur a trade deficit of $9 billion in 1993, a swing of $13 billion from a surplus of $4 billion in 1992. Although deficits of this magnitude will not cause difficulties in servicing China's external debt, economic policy may change to slow down import growth in 1994.

INTERNATIONAL TRADE

Preliminary indications are that the volume of world trade may have increased by only 3.5 per cent in 1993. Exports of the developed economies were practically unchanged, while weak domestic economies could generate only a small increase in the demand for imports. Imports of recession-bound Europe in particular declined. Information on the transition economies is inadequate, but the sharp decline of their trade in recent years may be bottoming out. Their small weight in the world total makes little difference, however, to the trend in global trade. Growth of world trade was thus accounted for almost entirely by developing countries. Preliminary data suggest that the volume of their imports and exports increased by around 10 per cent in 1993.

Changes in prices have in general been modest, leading to only relatively small changes in the terms of trade for most country groups. Prices of non-fuel primary commodities declined further owing to weak world demand and were some 4 per cent lower in dollar terms in the first three quarters of 1993 than in the same period of 1992. Prices of manufactured exports declined by about 2 per cent over the same period. In terms of prices of manufactures, non-fuel commodity prices declined by around 2 per cent. This was the sixth consecutive annual decline in real commodity prices.

The fall in oil prices has been much larger, with depressed world demand and oversupply pushing prices to their lowest level in five years. For 1993 as a whole, oil prices were 10 per cent lower than in 1992. The prospect of continuing oversupply due to a number of factors, including the possibility of Iraq re-entering the market, and a weak demand for energy, make it likely that prices will fall further in 1994.

Weak commodity prices have benefited developed economies, especially in terms of inflation, which is now low enough to provide these economies with a greater degree of flexibility in policy-making than would otherwise be possible. They have also benefited many developing country importers of primary commodities. However, changes in international prices also have the important effect of shifting real income between countries. Though price changes in general were relatively small in 1993, the 10 per cent drop in oil prices meant a transfer of some $20 billion in real income from the oil-exporting countries to the oil importers in a single year.

The year 1993 will be known for some epochal developments in the trading system. The growing regionalism of recent years received a major boost with the passage of the North American Free Trade Agreement (NAFTA) creating a trade bloc of Canada, Mexico and the United States, which have a combined GDP of $6 trillion and a population of 375 million, surpassing EU on both measures. The Agreement is expected to increase trade among the three countries significantly, help improve the allocation of resources and raise income and employment. The Agreement is of particular significance because it is the first of its kind, a developing economy having sought to be integrated with highly developed ones. The impact of the proliferation of trade blocs on the multilateral trading system is, however, more contentious. It remains to be seen whether NAFTA will turn out to be a building block of the multilateral trading system as its proponents have often claimed.

A far more important development in the trading system has been the conclusion of the Uruguay Round of multilateral trade negotiations. Started in October 1986, these negotiations were the most ambitious ever undertaken and had the widest participation. It will be some time before a detailed assessment of the results is available. It is clear, however, that the present outcome constitutes a very large positive sum for the world economy. It will further liberalize trade, strengthen the multilateral trading system by imparting to it greater transparency and by reinforcing multilateral rules which, moreover, will cover a far larger number of countries than ever before. It will boost the much needed confidence in the international economy, increase trade-related investment and raise world income. Many of the results in individual sectors have fallen short of expectations and desires. In particular, liberalization of trade in agriculture could have been greater, present restrictions on textiles needed to have been phased out earlier, and multilateral rules governing anti-dumping measures could have been stricter. A large disappointment has been the inability of the negotiators to reach agreement on financial, shipping and audio-visual services, which thus remain outside the deal for now. Nevertheless, the Round is a major achievement in international cooperation.

POLICY IMPLICATIONS

Under current policy stances, the world economy is forecast to grow 2.5 per cent in 1994. If achieved, this will be a considerable improvement over the past three years, in which the world economy grew 1 per cent or less each year. But 2.5 per cent is still a lower rate of growth than the world economy could sustain without reigniting inflationary difficulties. It will create fewer jobs in industrial, transition and developing economies than is otherwise

feasible. It will bring about a slower rate of growth in world trade than could be attained. It will leave internationally traded commodities at relatively low points in their price cycles. It will generate lower savings and investment in the world economy than is desirable.

The forecast rate of growth is lower even than the average world economic growth rate in the adjustment-constrained decade of the 1980s. It is certainly lower than the growth that is expected in a normal recovery from recessionary conditions. The policy question, therefore, is whether there is room for policy makers to raise the rate of growth above what is forecast.

Given the weight of the developed market economies in world GDP, the question of more rapid world economic growth is first a question of raising growth in these countries. In the short run, the tools to do so are fiscal and monetary policy. In the longer run, structural adjustments in labour and product markets and investment in human and physical infrastructure hold out the most promise.

The steady fall in inflation in most developed economies offers an important opportunity for putting into effect some of the macroeconomic policies to stimulate demand. Consumer prices increased by under 3 per cent in these economies in 1993, following a steady decline since 1990, and are projected to rise by about the same rate in 1994. Even in Germany, where the Bundesbank's monetary policy has so far been extremely cautious, inflation has already been eliminated by one indicator, if not by all. Thus industrial product prices in the latter part of 1993 were lower than a year earlier, although consumer prices were 4 per cent higher, the latter owing mainly to temporary tax increases. Similarly, consensus forecasts put the increase in producer prices at around 1 per cent for 1994 after a 0.3 per cent increase in 1993. Furthermore, negotiated increases in wages and salaries, which rose by a modest 4 per cent in 1993, are expected to moderate further to around 2.5 per cent in 1994. In the absence of any exogenous shock, the present trend of weak commodity prices and moderating wage demands makes a resurgence of inflation in the developed economies unlikely in the near future.

As noted previously, there is little room for manoeuvre in setting fiscal policy in most industrialized countries. Indeed, only in Japan has a new fiscal package been discussed and its adoption should be studied closely. In Europe, it appears necessary to maintain the confidence in the movement towards budgetary correction, but the political sustainability of medium-term budget policy would also be supported by non-inflationary nurturing of the very weak recovery impulses that are currently in place.

While the scope for fiscal stimulus appears limited, there is still significant room for monetary easing, especially in Europe. Real interest rates are still high in most countries of EU and have not been brought down significantly, despite the opportunity offered by the widening of the ERM fluctuation band. Furthermore, unlike in Japan, the United Kingdom and the United States, monetary easing in Europe may have a stronger impact on activity because corporate and household debt is lower in most of these economies and less of a restraint on the willingness to accumulate new debt.

Improving employment prospects requires more than increased total spending. Reforms aimed at enhancing labour market mobility, flexibility and efficiency are being implemented or planned in many countries. Proposals include a mix of job-sharing, part-time, fixed-contract and temporary work, and reductions in real wage rates, as well as lowering of employment taxes and improvement of incentives to seek employment and remain employed. The Commission of the European Communities conducted a major study of the subject, contained in its recently issued White Paper. The July 1993 economic summit of the seven major industrialized countries called for further structural reforms in their economies and more active labour market policies, particularly in the field of education, training and retraining. At the same time, there has been growing concern that the deregulation of the labour market may lead to sharply rising pay inequality and diminished job security. The challenge of the 1990s is thus to find a better balance between employment protection and flexibility.

At the end of 1993, the short-term growth outlook of the developing countries as a whole was encouraging. Growth is also expected to be widely shared among a large proportion of the population of the developing countries. Yet two sources of concern remain. First, the recent recovery of growth in Latin America might prove fragile. Inflation and large budget deficits remain a major concern in some countries. Recovery needs to be strengthened through continuing economic reform and policies to achieve or maintain a modicum of price stability and preserve the inflow of financial resources at a high level. Of great concern are the economic prospects of Africa, where per capita output is forecast to fall once again in 1994. While economic performance remains weak, aid fatigue seems to be setting in. Yet, increasing aid is necessary to facilitate the reform process and support investment in human and physical infrastructure. The spectre of a vast majority of the continent's population sliding further into poverty should be unacceptable. National and international efforts that restore peace in conflict-ravaged countries and strengthen economic reform measures in all countries must therefore be reinforced.

Developments in the transition economies, in particular in the faster reforming countries, now show more clearly that economic recovery as market-based economies is attainable. But the transition process has had a much more inflationary aspect than might have been foreseen and unemployment and the fear of unemployment have been major social shocks. The task of institutional reform is deep and difficult, as for example in macroeconomic management, where it is necessary to distinguish transitional inflationary impulses from underlying inflationary forces.

The task of reform is also being greatly complicated by extra-economic forces, including ultra-nationalism, regionalism and other fissiparous tendencies. Efforts at reform also create their own economic and political dynamics, conditioned by the unique situations of individual countries. External assistance cannot be expected to change the fundamentals of this dynamism. But it can ease some of the economic constraints to reform and make the political tasks of reform less onerous. Financial and technical assistance to these economies must therefore continue, as must efforts to integrate them more closely into the world economy, primarily by keeping the markets of developed economies open to them.

Developments in the world economy in the past year contained features of major disappointments as well as significant achievements. World income failed to pick up the growth momentum expected a year ago, which made the present recovery of the world economy the slowest in recent times. Recovery in some developed economies remained fragile, growth prospects in a large number of developing countries remained bleak, and income continues to fall in many of the economies in transition. Yet there were encouraging signs in each group of countries. Similarly, there were significant failures of international cooperation, especially in policy coordination among the developed economies. Yet, the spirit of cooperation that prevailed among all groups of countries in the last stages of the Uruguay Round of trade negotiations gives ground for optimism. Indeed, the conclusion of the Round has given rise to new opportunities which could mark the beginning of a more dynamic world economy.

Annex

STATISTICAL TABLES

Table A.I. Major industrial countries: quarterly indicators, 1992-1993

	1992 Quarters				1993 Quarters				
	I	II	III	IV	I	II	III[e]	1992	1993[a]
Growth of gross domestic product[b]									
Canada	0.0	0.0	0.4	2.5	3.5	3.5	3.0	0.8	2.6
France	3.4	0.0	0.3	-1.0	-3.2	1.2	0.8	1.4	-0.9
Germany[c]	7.9	-0.5	-1.4	-3.4	-3.7	2.0	2.0	1.5	-1.8
Italy	2.4	1.0	-2.7	-2.0	-0.7	-0.6	0.0	0.9	-0.3
Japan	4.1	-0.9	-2.2	-0.8	2.5	-2.0	2.0	1.3	0.0
United Kingdom	-3.4	0.4	1.8	1.8	2.0	2.4	2.4	-0.6	1.9
United States	3.5	2.8	3.4	5.7	0.8	1.9	2.7	2.8	2.8
Total	3.5	0.9	0.8	1.6	0.5	0.8	2.2	1.7	1.1
Unemployment rate[d]									
Canada	10.7	11.2	11.5	11.5	10.9	11.3	11.4	11.2	11.1
France	10.1	10.3	10.4	10.7	11.0	11.5	11.7	10.3	12.0
Germany[c]	4.5	4.7	4.6	4.9	5.3	5.6	5.9	4.6	5.7
Italy[c]	9.9	10.0	10.1	9.3	9.1	10.5	10.2	10.5	10.5
Japan	2.1	2.1	2.2	2.3	2.3	2.4	2.5	2.2	2.5
United Kingdom	9.5	9.7	10.1	10.4	10.6	10.4	10.4	9.9	10.5
United States	7.2	7.4	7.4	7.2	6.9	6.9	6.7	7.3	6.8
Total	6.7	6.8	6.9	6.9	6.8	7.0	6.9	6.9	7.0
Consumer prices[f]									
Canada	1.7	1.4	1.3	1.7	2.0	1.7	1.7	1.5	1.8
France	2.8	2.8	2.2	1.8	2.1	2.0	2.2	2.4	2.0
Germany[c]	4.3	4.5	3.4	3.6	4.3	4.2	4.2	4.1	4.0
Italy	5.8	5.4	5.0	4.7	4.5	4.1	4.3	5.2	4.3
Japan	1.9	2.3	1.8	1.0	1.3	0.9	1.8	1.7	1.2
United Kingdom	4.1	4.2	3.6	3.1	1.8	1.3	1.8	3.7	1.7
United States	2.9	3.1	3.1	3.0	3.2	3.2	2.8	3.0	2.9
Total	3.0	3.2	2.8	2.6	2.7	2.5	2.6	2.9	2.5
Industrial production[f]									
Canada	0.4	-0.4	-0.6	2.2	5.2	6.3	4.6	0.4	5.8
France	0.5	-0.3	-1.2	-2.6	-3.6	-4.0	-3.6	-0.1	-3.8
Germany[c]	0.7	-0.7	-2.6	-4.8	-9.4	-8.3	-7.0	-1.8	-6.8
Italy	0.9	0.7	-0.7	-3.1	-4.5	-4.6	-1.3	-0.4	-4.0
Japan	-4.6	-6.1	-6.0	-7.9	-5.0	-4.3	-3.8	-6.1	-4.7
United Kingdom	-1.1	-0.2	-0.3	0.6	1.5	2.6	2.7	-0.3	2.1
United States	1.3	2.0	0.9	2.2	2.5	1.6	4.1	1.5	2.0
Total	-0.8	-1.3	-2.0	-2.6	-2.2	-2.0	-0.5	-1.5	-1.9

Source: UN/DESIPA, based on IMF, *International Financial Statistics*, OECD and national authorities.

a Partly estimated.
b Percentage change in seasonally adjusted data from preceding quarter, expressed at annual rate (total is weighted average with weights being 1992 and 1993 GDP, respectively, valued at 1988 prices and exchange rates).
c Germany is western Germany only in this table.
d Percent of total labour force, seasonally adjusted data as standardized by OECD.
e From the fourth quarter of 1992, data are based on new definitions and therefore not comparable with earlier figures.
f Percentage change in quarter relative to same quarter of preceding year.

Table A.II. Developed market economies: rates of growth of real GDP, 1984-1994
(Annual percentage change[a])

	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993[b]	1994[c]
All developed market economies	4.3	3.3	2.8	3.2	4.4	3.3	2.4	♦ 0.6	1.6	0.9	2.2
Major industrialized countries	4.5	3.4	2.8	3.3	4.6	3.3	2.3	♦ 0.6	1.7	1.1	2.2
Canada	6.3	4.8	3.3	4.3	4.9	2.5	-0.2	-1.8	0.8	2.6	3.5
France	1.3	1.9	2.5	2.3	4.5	4.3	2.5	0.7	1.4	-0.9	1.1
Germany	2.8	1.9	2.2	1.4	3.7	3.3	4.7	♦ 1.2	2.0	-1.0	1.5
Italy	2.7	2.6	2.9	3.1	4.1	2.9	2.1	1.3	0.9	-0.3	1.4
Japan	4.3	5.0	2.6	4.1	6.2	4.7	4.8	4.0	1.3	0.0	1.5
United Kingdom	2.3	3.8	4.1	4.8	4.4	2.1	0.5	-2.2	-0.6	1.9	2.6
United States	6.2	3.2	2.9	3.1	3.9	2.5	0.8	-1.2	2.6	2.8	3.1
Other industrialized countries	3.4	2.8	2.4	3.2	3.6	3.7	2.5	0.7	0.8	-0.2	1.6
Memo item											
Western Europe	2.4	2.6	2.8	2.8	3.9	3.4	2.7	♦ 0.6	1.0	-0.4	1.6
European Union	2.3	2.5	2.8	2.9	4.1	3.4	2.8	♦ 0.8	1.2	-0.3	1.6
Other	3.0	3.2	2.5	2.5	2.9	3.3	2.0	-0.7	-0.3	-1.1	1.5

Source: UN/DESIPA, based on IMF, *International Financial Statistics*.

♦ Indicates discontinuity in the series: from 1991, Germany includes eastern *Länder*.
a Data for country groups are weighted averages, where weights for each year are GDP valued at 1988 prices and exchange rates.
b Partly estimated.
c Forecast, based on Project LINK.

Table A.III. Economies in transition: rates of growth of GDP, 1984-1994
(Annual percentage change[a])

	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993[b]	1994[c]
Economies in transition	3.5	2.0	3.5	2.6	4.5	2.1	-6.3	♦ -8.9	-16.7	-10.4	-0.8
Eastern Europe	4.6	2.6	3.1	2.3	2.7	0.1	-11.9	♦-11.8	-5.8	-0.5	1.3
Bulgaria	3.4	2.7	4.2	6.1	2.6	-1.4	-9.1	-16.7	-13.0	-6.0	-3.0
Czechoslovakia	2.1	2.2	1.8	0.8	2.6	1.3	-1.4	-15.1	-7.1		
Czech Republic										0.0	2.5
Slovakia										-6.5	..
German Democratic Republic	5.4	5.5	3.9	3.3	3.1	2.4	-25.1				
Hungary	2.7	-0.3	1.5	3.8	2.7	3.8	-3.3	-11.9	-5.0	-1.5	0.0
Poland	5.6	3.6	4.2	2.0	4.4	0.2	-11.6	-7.6	1.0	4.0	4.0
Romania	5.9	-0.1	2.3	0.8	-0.5	-5.6	-12.9	-13.6	-15.4	-6.0	..
Former Soviet Union and Successor States	3.0	1.7	3.6	2.8	5.3	3.0	-4.0	-8.0	-20.0	-14.0	-1.7

Sources: UN/DESIPA and ECE.

♦ Indicates discontinuity in the series.
a Country group aggregates are averages weighted by GDP in 1988 dollars (see *World Economic Survey, 1992*, (United Nations publication, Sales No. E.92.II.C.1 and corrigenda), pp. 181-182, for methodology).
b Partly estimated.
c Forecast.

Table A.IV. Developing countries: rates of growth of real GDP, 1984-1994
(Annual percentage change)

	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993[a]	1994[b]
All developing countries[c]	4.1	3.5	3.8	4.0	4.4	3.5	3.3	3.4	4.8	5.3	5.3
Latin America	3.8	3.6	4.2	3.0	0.7	1.1	-0.1	2.8	2.2	3.1	3.0
Net energy exporters	2.6	2.1	-0.2	2.2	3.1	0.7	4.7	4.6	3.6	1.4	2.9
Net energy importers	4.4	4.4	6.6	3.3	-0.5	1.4	-2.6	1.8	1.3	4.1	3.1
Africa	0.8	5.0	1.9	0.2	2.3	2.9	2.9	2.1	1.6	1.9	2.5
Net energy exporters	1.4	6.3	0.8	-0.7	1.1	3.3	3.3	2.3	2.5	1.8	2.3
Net energy importers	-0.2	2.4	4.0	2.0	4.6	2.4	2.2	1.7	-0.0	2.1	2.8
West Asia	-1.3	-3.6	-3.1	-0.8	0.0	3.2	1.9	-0.2	5.6	3.5	3.8
South and East Asia	5.7	3.6	6.2	6.9	8.5	6.1	6.4	5.3	5.1	5.3	6.1
China	14.5	13.0	7.8	9.4	10.9	3.6	5.2	7.7	12.8	13.0	9.5
Mediterranean	3.7	2.8	5.5	1.1	0.8	0.3	1.1	-7.9	-5.1	1.1	4.6
Memo items											
Major developing economies[d]											
Brazil	5.3	8.0	7.6	3.4	0.1	3.2	-4.4	0.9	-0.9	4.0	2.5
India	4.9	4.5	4.8	4.5	9.6	5.2	5.5	2.0	4.0	4.5	5.5
Republic of Korea	7.9	5.1	12.0	11.1	11.5	6.1	9.0	8.4	4.7	4.6	6.5
Mexico	3.6	2.6	-3.8	1.8	1.4	3.1	4.4	3.6	2.6	1.1	3.0
Iran (Islamic Republic of)	0.2	-1.5	-8.0	-2.5	-2.0	4.0	10.0	6.0	6.0	3.0	2.5
Taiwan Province of China	10.6	5.0	11.6	12.3	7.3	7.6	5.0	7.2	6.6	6.0	6.3
Indonesia	4.2	1.9	3.0	3.6	6.5	7.4	7.4	6.6	6.3	6.5	6.5
Argentina	2.4	-4.4	6.1	2.1	-2.8	-4.6	0.4	8.9	8.7	5.5	4.5
Saudi Arabia	-4.8	-9.1	13.4	-1.4	7.6	0.2	9.0	6.0	3.0	2.0	3.0
Thailand	6.0	4.1	3.5	7.1	13.2	12.2	10.0	8.0	7.4	7.5	8.0
Turkey	5.9	5.1	7.5	2.2	2.2	-0.4	9.2	0.7	5.5	8.0	5.5
Fifteen heavily-indebted countries[e]	2.7	3.4	4.1	2.4	1.2	1.4	-0.2	1.9	0.9	2.4	3.0
Sub-Saharan Africa (excluding Nigeria)	1.2	1.9	2.6	0.6	2.9	1.6	1.3	0.4	0.4	1.7	2.2

Source: UN/DESIPA.

a Preliminary estimates.
b Forecast.
c Covers 92 countries that account for 98 per cent of the population of all developing countries.
d Listed in descending order of their share in world GDP.
e Countries in this group are: Argentina, Bolivia, Brazil, Chile, Colombia, Côte d'Ivoire, Ecuador, Mexico, Morocco, Nigeria, Peru, the Philippines, Uruguay, Venezuela and the former Yugoslavia.

Table A.V. Developed market economies: unemployment rates, 1984-1994[a]
(Percentage of total labour force)

	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993[b]	1994[c]
All developed market economies	7.8	7.7	7.6	7.2	6.6	6.1	6.0	6.7	7.4	7.8	7.8
Major industrial countries	7.3	7.2	7.1	6.7	6.1	5.7	5.6	6.3	6.9	7.0	6.9
Canada	11.2	10.4	9.5	8.8	7.7	7.5	8.1	10.2	11.2	11.1	10.9
France	9.7	10.2	10.4	10.5	10.0	9.4	8.9	9.4	10.3	12.0	12.2
Germany	7.1	7.2	6.4	6.2	6.2	5.6	4.9	4.4	4.6	5.7	6.4
Italy	9.4	9.6	10.5	10.9	11.0	10.9	10.3	9.9	10.5	10.5	10.5
Japan	2.7	2.6	2.8	2.8	2.5	2.3	2.1	2.1	2.2	2.5	2.4
United Kingdom	11.7	11.2	11.2	10.3	8.5	7.1	6.8	8.7	9.9	10.5	10.4
United States	7.4	7.1	6.9	6.1	5.4	5.2	5.4	6.6	7.3	6.8	6.5
Other industrial countries	10.2	10.3	9.9	9.6	9.1	8.1	7.9	8.6	9.8	11.9	12.2
Memo item											
Western Europe	9.8	9.9	9.8	9.6	9.0	8.2	7.7	8.1	9.0	10.6	10.9
European Union	10.5	10.6	10.6	10.3	9.7	8.8	8.2	8.5	9.3	10.9	11.1
Other	3.3	3.2	3.2	3.0	2.9	2.6	2.8	4.0	5.8	8.2	8.6

Source: UN/DESIPA, based on data of OECD.

a For the seven countries shown and ten others, unemployment data are standardized by OECD for comparability among countries and over time, in conformity with the definitions of the International Labour Office (see OECD, *Standardized Unemployment Rates: Sources and Methods* (Paris, 1985)); national definitions and estimates are used for other countries.
b Partly estimated.
c Forecast, based on Project LINK.

Table A.VI. Developed market economies: consumer price inflation, 1984-1994[a]
(Annual percentage change)

	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993[b]	1994[c]
All developed market economies	4.8	4.2	2.5	3.1	3.4	4.6	5.2	4.5	3.2	2.8	2.8
Major industrial countries	4.4	3.8	1.9	2.7	3.1	4.4	4.9	4.2	2.9	2.5	2.5
Canada	4.3	4.0	4.2	4.3	4.1	5.0	4.8	5.6	1.5	1.8	2.1
France	7.5	5.7	2.5	3.3	2.7	3.5	3.4	3.2	2.4	2.0	1.9
Germany	2.4	2.2	-0.1	0.2	1.3	2.8	2.7	3.5	4.1	4.0	2.8
Italy	10.9	9.2	5.8	4.7	5.1	6.3	6.4	6.4	5.2	4.3	4.5
Japan	2.3	2.0	0.6	0.1	0.7	2.3	3.1	3.3	1.7	1.2	1.0
United Kingdom	5.0	6.0	3.4	4.2	4.9	7.8	9.5	5.9	3.7	1.7	2.6
United States	4.3	3.5	1.9	3.7	4.0	4.8	5.4	4.3	3.0	2.9	2.9
Other industrial countries	7.2	6.9	6.0	5.4	5.2	6.2	7.0	6.3	5.0	4.4	4.0
Memo item											
Western Europe	6.5	5.7	3.3	3.3	3.7	5.2	5.7	5.2	4.3	3.5	3.3
European Union	6.6	5.8	3.3	3.2	3.6	5.3	5.7	5.1	4.4	3.5	3.4
Other	5.7	5.0	3.0	3.5	4.0	4.5	6.2	5.6	3.1	3.6	2.9

Source: UN/DESIPA, based on IMF, *International Financial Statistics.*

a Data for country groups are weighted averages where weights for each year are consumption expenditure for the year valued at 1988 prices and exchange rates.
b Partly estimated.
c Forecast.

Table A.VII. Major developed market economies: interest rates, 1992-1993
(percentage)

	1992 Quarters				1993 Quarters				
	I	II	III	IV	I	II	III	1992	1993[a]
Short-term interest rates[b]									
Canada	6.83	6.08	6.29	6.79	4.79	4.29	4.36	6.79	4.59
France	9.97	9.91	11.16	10.35	11.49	8.48	8.19	10.35	9.15
Germany	9.57	9.62	9.58	8.89	8.56	7.91	7.00	9.42	7.84
Italy	12.23	12.68	16.27	14.70	11.85	10.84	9.29	13.97	10.66
Japan	5.54	4.68	4.20	3.91	3.47	3.20	3.08	4.58	3.18
United Kingdom	10.49	9.96	9.81	7.94	6.10	5.37	5.42	9.55	5.63
United States	4.02	3.77	3.26	3.04	3.04	3.00	3.06	3.52	3.03
Long-term interest rates[c]									
Canada	9.06	9.18	8.31	8.51	8.38	8.12	7.67	8.76	7.90
France	8.52	8.69	8.87	8.30	7.72	7.21	6.59	8.59	7.07
Germany	8.12	8.24	8.22	7.28	6.71	6.57	6.21	7.96	6.43
Italy[d]	10.95	11.23	12.84	12.58	11.38	10.77	8.84	11.90	10.52
Japan	5.42	5.34	4.62	4.39	4.08	4.23	3.65	4.94	3.99
United Kingdom	9.36	9.16	9.05	9.02	8.62	8.46	7.51	9.15	8.20
United States	7.30	7.38	6.62	6.74	6.08	5.99	5.62	7.01	5.84

Source: UN/DESIPA, based on IMF, *International Financial Statistics*.

a Nine or ten months' averages.
b Money market rates.
c Yield on long-term government bonds.
d Data available until August 1993 only.

Table A.VIII. World trade: Changes in volume of exports, by major country group, 1983-1994
(Annual percentage change)

	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993[a]	1994[b]
World	1.8	9.0	3.2	5.0	5.7	7.9	7.8	5.3	4.4	5.2	3.4	5.9
Developed market economies	2.2	9.5	4.9	2.5	4.3	8.5	7.1	5.0	3.7	3.9	1.6	4.2
North America	-2.6	9.5	2.7	5.8	6.6	17.9	8.7	7.0	6.3	7.4	3.8	5.9
Western Europe	2.8	7.7	5.2	2.1	4.1	5.9	7.2	3.9	2.1	3.4	0.7	3.7
Japan	8.8	15.8	5.6	-0.6	0.3	5.1	3.8	5.5	3.0	-0.5	-0.6	1.2
Developing countries	-1.1	8.5	-0.3	12.2	10.1	6.8	12.2	8.6	9.7	8.0	10.6	11.6
Latin America	2.6	-12.9	-0.6	-3.6	7.6	6.8	7.7	3.6	6.3	4.8	8.1	..
Africa	4.2	3.2	0.8	10.6	8.0	5.0	4.5	14.4	7.0	0.2	8.4	..
Asia	-3.2	7.7	-0.8	19.6	11.7	8.3	14.6	8.5	12.0	10.8	11.7	..
West Asia	-14.7	-5.8	-6.9	31.4	-2.9	8.3	20.0	1.7	6.3	10.9	-0.5	..
South and East Asia	4.4	15.9	0.7	18.8	18.5	13.2	10.8	7.4	16.5	10.3	16.6	..
China	-0.6	12.9	13.2	18.8	15.3	10.3	7.1	14.5	17.6	13.0	11.2	..
Mediterranean	-5.3	13.0	9.0	-4.1	10.8	0.9	2.5	8.3	2.9	-7.7	4.2	..
Economies in transition	5.5	4.9	-0.6	4.3	2.6	4.5	-0.9	-9.8	♦-29.7	-8.0	..	..

Source: UN/DESIPA.

♦ Indicates break in the series.

a Preliminary estimates.
b Forecast.

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Table A.IX. Indices of prices of non-fuel primary commodities exported by developing countries, 1983-1993
(1985 = 100)

		Food	Tropical beverages	Vegetable oil-seeds and oils	Agri-cultural raw materials	Minerals and metals	Combined index		Prices of manufac-tures[a]	Real prices of commodities[b]	Memo item: crude petroleum[c]
							Dollar	SDR			
1983		138	96	107	110	113	118	112	103	114	108
1984		116	110	144	111	105	114	112	100	114	102
1985		100	100	100	100	100	100	100	100	100	100
1986		110	124	62	102	95	104	90	120	87	55
1987		117	81	73	119	113	107	84	135	79	62
1988		152	82	96	129	164	135	102	144	94	49
1989		161	70	85	129	164	135	107	143	94	59
1990		151	62	74	137	149	127	95	158	80	75
1991		141	57	80	129	135	119	88	158	75	62
1992		138	49	86	125	131	115	83	162	71	63
1993[d]		137	47	84	123	115	111	80	160	69	57
1992	I	141	50	88	123	127	116	84	159	73	57
	II	138	46	88	123	130	115	84	160	71	65
	III	143	46	83	128	136	118	82	169	70	65
	IV	130	52	83	127	123	111	80	160	69	65
1993	I	138	49	85	126	127	114	83	158	72	59
	II	138	46	82	122	110	110	79	159	69	60
	III	135	47	84	122	109	109	78	162	67	53

Sources: UNCTAD, *Monthly Commodity Price Bulletin*, and United Nations, *Monthly Bulletin of Statistics*.

a Unit value of exports of manufactures from developed market economies. The base of the original index has been shifted to 1985.
b Dollar index deflated by unit values of manufactured exports of developed market economies.
c OPEC oil price, which is the average spot price of a basket of seven OPEC country crudes (Saharan Blend, Minas, Bonny Light, Arab Light, Dubai, T. J. Light and Isthmus).
d January-September 1993.